

OPEN MEETING

MEMORANDUM



0000160020

TO: THE COMMISSION

FROM: Utilities Division

DATE: February 13, 2015

RE: IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR APPROVAL OF A REVISED RIDER R-3 FOR NET METERED CUSTOMERS (DOCKET NO. E-01933A-15-0032)

ORIGINAL

RECEIVED

2015 FEB 13 P 3:53

AZ CORP COMMISSION
DOCKET CONTROL

Background

On February 3, 2015, Tucson Electric Power Company ("TEP") filed an application for approval of its revised Rider R-3 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction with Rider R-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). TEP's Rider R-3 specifies the methodology for calculating the rate to be paid for purchases of excess energy from Net Metering Facilities. The rate is listed on the TEP Statement of Charges. The last revision of the Rider R-3 rate was approved by the Commission's Decision No. 74396 (March 19, 2014).

For Net Metering customers, each calendar year, for customer bills produced in October (September usage) or for a customer's "final" bill, TEP credits the customer for any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at TEP's applicable avoided cost. TEP has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its Rider R-3 applicable to NM-PRS. Rider R-3 indicates that the MCCCG will be filed annually (by February 1) by TEP for approval by the Commission.

Proposed Tariff

TEP's initial proposed revision to the Rider R-3 rate reflected a lower MCCCG and therefore decreased the avoided cost rate from 2.666¢ per kWh to 2.6353¢ per kWh for purchases of excess energy from Net Metering Facilities.

Subsequently, TEP revaluated the hourly costs, and on February 11, 2015, submitted revised data to Staff showing a higher avoided cost rate of 2.8653¢ per kWh.

Staff has reviewed TEP's hourly marginal costs that resulted in the 2.8653¢ rate and finds the data and calculations to be reasonable.

Arizona Corporation Commission

DOCKETED

FEB 18 2015

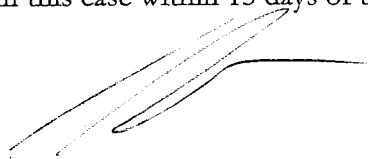
DOCKETED BY

Recommendations

Staff recommends that TEP's revised Rider R-3 MCCCCG as applicable to Rider R-4 NM-PRS be approved using the data submitted to Staff on February 11, 2015.

Staff further recommends that the avoided cost rate of 2.8653¢ per kWh be made effective as of April 1, 2015.

Staff further recommends that TEP file a Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:sms\RRM

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 SUSAN BITTER SMITH

 Chairman

3 BOB STUMP

 Commissioner

4 BOB BURNS

 Commissioner

5 DOUG LITTLE

 Commissioner

6 TOM FORESE

 Commissioner

8 IN THE MATTER OF THE APPLICATION
9 OF TUCSON ELECTRIC POWER
10 COMPANY FOR APPROVAL OF A
11 REVISED RIDER R-3 FOR NET METERED
12 CUSTOMERS.

DOCKET NO. E-01933A-15-0032

DECISION NO. _____

ORDER

13
14 Open Meeting
15 March 2 and 3, 2015
16 Phoenix, Arizona

17 BY THE COMMISSION:

18 FINDINGS OF FACT

19 1. Tucson Electric Power Company, Inc. ("TEP" or "Company") is certificated to
20 provide electric service as a public service corporation in the State of Arizona.

21 Background

22 2. On February 3, 2015, TEP filed an application for approval of its revised Rider R-3
23 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction with
24 Rider R-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). TEP's Rider R-3
25 specifies the methodology for calculating the rate to be paid for purchases of excess energy from Net
26 Metering Facilities. The rate is listed on the TEP Statement of Charges. The last revision of the Rider
27 R-3 rate was approved by the Commission's Decision No. 74396 (March 19, 2014).

28 ...

 ...

1 3. For Net Metering customers, each calendar year, for customer bills produced in
2 October (September usage) or for a customer's "final" bill, the Company credits the customer for any
3 balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at the
4 Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly market
5 cost of comparable conventional generation as specified on its Rider R-3 applicable to NM-PRS.
6 Rider R-3 indicates that the MCCCCG will be filed annually (by February 1) by TEP for approval by the
7 Commission.

8 Proposed Tariff

9 4. TEP's initial proposed revision to the Rider R-3 rate reflected a lower MCCCCG and
10 therefore decreased the avoided cost rate from 2.666¢ per kWh to 2.6353¢ per kWh for purchases of
11 excess energy from Net Metering Facilities.

12 5. Subsequently, TEP revaluated the hourly costs, and on February 11, 2015, submitted
13 revised data to Staff showing a higher avoided cost of 2.8653¢ per kWh.

14 6. Staff has reviewed TEP's hourly marginal costs that resulted in the 2.8653¢ rate and
15 finds the data and calculations to be reasonable.

16 Recommendations

17 7. Staff has recommended that TEP's revised Rider R-3 MCCCCG as applicable to Rider
18 R-4 NM-PRS be approved.

19 8. Staff has further recommended that the avoided cost rate of 2.8653¢ per kWh should
20 be effective as of April 1, 2015.

21 9. Staff has further recommended that TEP file a Statement of Charges consistent with
22 the Decision in this case within 15 days of the effective date of the Decision.

23 CONCLUSIONS OF LAW

24 1. TEP is an Arizona public service corporation within the meaning of Article XV,
25 Section 2, of the Arizona Constitution.

26 2. The Commission has jurisdiction over TEP and over the subject matter of the
27 application.

28 ...

1 3. Approval of the revised Rider R-3 MCCCCG does not constitute a rate increase as
2 contemplated by A.R.S. Section 40-250.

3 4. The Commission, having reviewed the application and Staff's Memorandum dated
4 February 13, 2015, concludes that the revised Rider R-3 MCCCCG should be approved as discussed
5 herein.

6 ...

7 ...

8 ...

9 ...

10 ...

11 ...

12 ...

13 ...

14 ...

15 ...

16 ...

17 ...

18 ...

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's revised Rider R-3 Market Cost of Comparable Conventional Generation as applicable to Rider R-4 is approved as discussed herein.

IT IS FURTHER ORDERED that the avoided cost rate of 2.8653¢ per kWh should be effective as of April 1, 2015.

IT IS FURTHER ORDERED that Tucson Electric Power shall file in Docket Control a Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2015.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:sms/RRM

Decision No. _____

1 SERVICE LIST FOR: Tucson Electric Power Company
2 DOCKET NO. E-01933A-15-0032

3 Ms. Melissa Morales
4 Tucson Electric Power Company
88 East Broadway Blvd.
5 P.O. Box 711
Tucson, Arizona 85702

6
7 Mr. Steven M. Olea
Director, Utilities Division
8 Arizona Corporation Commission
1200 West Washington Street
9 Phoenix, Arizona 85007

10 Ms. Janice M. Alward
Chief Counsel, Legal Division
11 Arizona Corporation Commission
1200 West Washington Street
12 Phoenix, Arizona 85007